

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0963-05  
Bill No.: Perfected HCS for HB 473  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education  
Department; Boards, Commissions, Committees, Councils  
Type: Original  
Date: April 20, 2011

---

Bill Summary: This proposal changes the laws regarding charter schools and establishes the Missouri Charter Public School Commission.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown - Could Exceed \$369,413)	(Unknown - Could Exceed \$265,826)	(Unknown - Could Exceed \$167,552)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown - Could Exceed \$369,413)</b>	<b>(Unknown - Could Exceed \$265,826)</b>	<b>(Unknown - Could Exceed \$267,552)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	3 FTE	3 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety - Missouri State Highway Patrol** state this proposal will have no fiscal impact on their agency.

Officials from the **Department of Higher Education** state this proposal has no direct, foreseeable fiscal impact on their agency.

Officials from the **Joint Committee on Education** state there will be no new costs to the Committee beyond its current appropriation resulting from this proposed legislation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

According to officials from the **Joint Committee on Administrative Rules (JCAR)**, this proposal should not create any additional fiscal impact above current appropriations to JCAR.

Officials from the **Department of Social Services** state there is no fiscal impact to their agency. Using the family care safety registry for background screenings reflects current practice. The provision to allow certain charter schools to accept students from adjacent counties may provide an additional resource for children in some alternative care settings. However, since resident students are given preference over nonresident students very few children are likely to be affected

Officials from the **Department of Elementary and Secondary Education (DESE)** provided the following assumptions and fiscal impact regarding this proposed legislation:

ASSUMPTION (continued)

§160.400

This section allows the expansion of charter schools over the coming school years. Currently, DESE is adding approximately 6 charter schools per year. This legislation has the potential of significantly increasing the number of charter schools. DESE cannot ignore the shortage of staff to provide guidance (technical assistance for data collection, certification, fiscal management, special education, food service, assessment, federal program, etc.) to these new charter schools to meet state and federal guidelines. A complicating factor is the high turnover of existing charter schools at the administrative level of existing charter schools.

In addition §160.400 (3) increases the number of entities that can be sponsors. Some of the sponsors that would be permitted have little experience with educational practices. DESE will need to assist these new sponsors. Payments for the additional sponsors would need to be calculated and distributed. §160.400 (17) requires sponsors to develop policies and procedures to review, grant, establish framework, oversight, closing, etc. for their charter schools. DESE will provide guidance to sponsors in developing such policies and procedures.

§160.403

This section requires DESE to establish an annual application and approval process for all entities eligible to sponsor charters as well as to review all existing charter sponsors. This is a necessary process to improve the quality of charter schools and would require a director and a supervisor be hired at a minimum for the coming fiscal year. Two important deadlines makes this critical: (1) "No later than January 1, 2012, DESE shall make available information and guidelines for all eligible sponsors concerning the opportunity to apply for sponsoring authority"; and (2) "all entities sponsoring a charter school upon the effective date of this section shall apply to DESE for approval to continue as a sponsor no later than April 1, 2012."

§160.405

§160.405.6 (1) and (2) proposes that charter schools establish alternative arrangements for students to obtain credit for satisfying graduation requirements. These special arrangements would be approved by the state board of education at the time the charter is approved. Subsection (2) indicates that DESE shall conduct a study of any charter school granted alternative arrangements which will require additional monitoring personnel. §160.405.9 (2) proposes that beginning January 1, 2012 that a charter school sponsor (in the renewal phase of a charter) shall demonstrate to the state board of education that the charter school is in compliance with federal and state laws. Staff will be necessary to determine if compliance with all standards

ASSUMPTION (continued)

of this subdivision have been achieved. The state board of education will be taking an active role in the renewal process of charters including the closing of charter schools through compliance with all standards and hearings associated with the final closure. §160.405 (7) states renewal procedures for existing charter applications will extend from August 1 to February 28 each year. These procedures include the possibility of hearing conducted by DESE.

§160.415.7

In addition to the oversight of the sponsors, this section of the legislation requires oversight and evaluation of education service providers.

In order to complete the additional oversight and supervision required by sections 160.400 through 160.415, the following personnel are needed (ongoing):

1.0 FTE director to handle the supervision of sponsors as well as the possible closing of current underperforming schools.

2.0 FTE supervisors to handle alternative charter schools, technical assistance for existing charter schools as well as the education service providers.

1.0 FTE administrative assistant to handle the paperwork and phone calls connected with the additional responsibilities.

For 2012-2013 and 2013-14 as the expansion of charter schools really accelerates as provided by this legislation DESE would have to add:

1.0 FTE director that would only handle charter school business

2.0 FTE supervisors to provide technical assistance for the charter schools (data collection, certification, fiscal management, special education, food service, transportation, assessment, federal programs)

1.0 FTE administrative assistants to handle the paperwork and phone calls connected with a growing program

**Oversight** assumes that DESE is coordinating the current charter school program with one person. Oversight assumes it is unknown how many new charter schools would be created in addition to increased oversight of existing charter schools. **Oversight** assumes 3 additional FTE

ASSUMPTION (continued)

(2 Supervisors and 1 Administrative Assistant) can administer the program. These additional FTE may also assist with monitoring alternative programs and renewal applications as outlined in §160.405. If the program expands beyond current growth, additional personal services can be requested through the appropriations process.

**Oversight** has, for fiscal note purposes only, adjusted the salary and benefits of the supervisors and administrative assistant to correspond with the range for the starting salary posted by DESE for a similar position.

§160.425

This section requires DESE to provide start-up funding for the commission to operate. The commission shall reimburse DESE's costs from any funds it receives as sponsor under section 160.400. The first year the commission would only be approving charters and would not have any income provided from operating charters so the entire commission would be funded by DESE funds. Estimates from the state of Georgia and their first couple of years range between \$250,000 and \$300,000.

The commission would need approximately 8 average size charter schools to generate \$300,000 for the second year. That would seem optimistic for a new commission. Subsequent years could generate additional income but as realized in Georgia, the commission has grown to rely on an annual appropriation.

School year 2011-2012	\$300,000
School year 2012-2013	\$150,000
School year 2013-2014	\$150,000

**Oversight** assumes this section of the proposal does not provide for additional staff. Current legislation also caps the amount of funding retained for the expenses associated with sponsorship of charter schools at \$125,000. For fiscal note purposes, Oversight will assume one-time cost for FY 12 as (\$125,000).

Officials from the **Department of Health and Senior Services (DOHSS)** state that, according to information obtained from DESE, there are currently 36 charter schools in Missouri. The number of new charter schools that might arise as a direct result of this legislation is unknown, although the expectation is that the number would be minimal. The schools are chartered for a minimum of five years, and the number of board members ranges from 5 to 30, with the average number being 10. For the 2010-2011 school year, the total staff size of the 36 schools was

ASSUMPTION (continued)

approximately 2,120 FTE. All staff members will be required to be registered and screened through the Family Care Safety Registry. Background screenings for school staff members must be conducted annually. A two percent growth factor for subsequent year registrations has been included in the estimates.

DOHSS assumed during the first year that 360 (36 schools X average of 10 board members) registrations and background screenings will be conducted on board members. Since the charters last for a minimum of five years, it is assumed that the maximum number of additional background screenings for board members in subsequent years would be 72 (360/5).

Given the following assumptions, DOHSS predicts the following FTE needs:

- Approximately 30 percent of registrations and screenings are conducted via the Internet and 70 percent are processed manually.
- One HPR-I/II FTE can process 12,000 manual registrations in a year.
- One HPR-I/II FTE and .5 OSA FTE can process 12,000 manual background screenings in a year.

Additional FTE needs are minimal, therefore DOHSS will not request additional staff related to this proposed legislation.

DOHSS assumes the proposed legislation would result in an estimated 2,480 new registrations in the Family Care Safety Registry for charter school staff and board members in FY 2012 (114 in FY 2013 and 115 in FY 2014). For each registration, \$10 is collected, resulting in \$24,800 in revenue in FY 2012 (\$1,140 in FY 2013 and \$1,150 in FY 2014). This money will be collected by the Department of Health and Senior Services (DHSS) and deposited into the Highway Patrol Criminal Records Fund.

DOHSS estimates related postage costs of \$2,492 for FY 12; 1,487 for FY 13; \$1,516 for FY 14.

**Oversight** assumes, after verification from a charter school sponsor, that the background checks and registrations in the Family Care Safety Registry are already being done. **Oversight** will assign no revenue for the Highway Patrol Criminal Records fund and will also assume minimal postage costs that can be absorbed with existing appropriations.

ASSUMPTION (continued)

**Charter School Sponsors**

The following Charter School Sponsors provided assumptions of fiscal impact:

**Saint Louis University (SLU):** SLU anticipates neither positive nor negative fiscal impact.

**University of Missouri - Kansas City (UMKC):** This proposal will increase the work load of a sponsor. UMKC will be able to handle the new work load, but this may not be the case for some of the smaller (student enrollment) sponsors. The UMKC Charter School Center estimated the implementation cost of \$75,000 for the 2011-2012 school year.

**University of Central Missouri (UCM):** There are several provisions in this proposed legislation that will impact the institutional responsibilities of UCM in its role as authorizer / sponsor of public charter schools, and thus will impact the work load associated with sponsorship. The proposed legislation will have a significant impact on the nature and scope of our oversight responsibilities, and thus the work load associated with sponsorship. This will have a fiscal impact on UCM.

Items from the proposed legislation that will impact UCM workload:

- Expansion of charter schools outside of KC and St Louis to include failing schools... (there will be much more of an interest and need for charter application review and decisions).
- Additional responsibilities regarding the closure of a charter school, including the collection and analysis of additional achievement and demographic data, additional documentation, as well as the need for additional onsite and state-level presence.
- Additional requirements regarding accountability. The legislation includes additional mandates for additional oversight, which means additional on site and site team involvement, as well as potential legal costs.
- Additional renewal requirements meaning more oversight, more data collection and analysis, more time presenting data to state board.
- More authority given to the State Board regarding ongoing oversight of the schools, and specifically with renewals and revocation decisions.



ASSUMPTION (continued)

- Opens enrollment for HS recovery dropouts to adjoining districts resulting in more supervision, more complicated student files oversight needed.
- DESE can withhold funds from a closing school resulting in more communication, more involvement in multiple institutional processes, which can become complex with one institution, much less three or more.

UCM officials assume the fiscal impact as follows:

\$ 30,000	Increased school oversight services and site visits (\$3,000 per school)
\$ 40,000	Increased support services for high-risk schools
\$ 30,000	Increased professional staff (.5 FTE)
\$ 30,000	Increased profession staff (policy development and implementation) (.5 FTE)
<u>\$ 20,000</u>	Increased legal costs
\$150,000	

**University of Missouri - St Louis (UMSL):** Officials from UMSL assume the portion of this proposal that deals with sponsors applying to DESE to maintain their authority to sponsor will add a financial burden to sponsors. The documents mentioned would have to be created which mean hiring additional staff to carry out duties of sponsorship and could cost upwards of \$100,000 to create in terms of man hours during the year starting January, 2012 once guidelines are established. This, on top of current sponsorship duties, would create a substantial financial impact on sponsorship offices.

Based on responses from current charter school sponsors, **Oversight** assumes the costs associated with this proposed will be (Unknown - Could exceed \$100,000).

Officials from the following colleges and universities that are not currently charter school sponsors stated this proposal would have no fiscal impact on their respective institutions: **Missouri Southern State University, Lincoln University, Northwest Missouri State University, Missouri State University, Missouri Western State University, Kansas City Metropolitan Community College, Linn State Technical College and the University of Missouri.**

Officials from the **Fair Grove R-X School District** assume this proposal would have a negative fiscal impact on all public schools by spreading funding over additional schools.

ASSUMPTION (continued)

Officials from the **Parkway School District** assume that for each resident Parkway student that would attend a charter school, Parkway would pay \$11,639. While some reduction in expenses could be made, it would not be equivalent to that amount, and would vary depending on the total number of students, their grade levels, school attendance areas, and types of services accessed.

For fiscal note purposes only, **Oversight** will assume an (Unknown) cost for school districts.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
---	---------------------	---------	---------

**GENERAL REVENUE**

Cost - Department of Elementary and  
 Secondary Education - Personal Services  
 (3 FTE)

Personal Services	(\$87,369)	(\$105,891)	(\$106,950)
Fringe Benefits	(\$45,729)	(\$55,423)	(\$55,978)
Equipment and Expenses	(\$11,315)	(\$4,512)	(\$4,624)
Charter Commission operational expenses	(\$125,000)	\$0	\$0
TOTAL DESE Expenses	(\$269,413)	(\$165,826)	(\$167,552)

Estimated Net Effect on FTE for DESE	3 FTE	3 FTE	3 FTE
--------------------------------------	-------	-------	-------

Cost - Charter School Sponsors (State  
 Universities)

(Unknown - Could Exceed \$100,000)	(Unknown - Could Exceed \$100,000)	(Unknown - Could Exceed \$100,000)
--	--	--

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE**

<u>(Unknown - Could Exceed \$369,413)</u>	<u>(Unknown - Could Exceed \$265,826)</u>	<u>(Unknown - Could Exceed \$267,552)</u>
---	---	---

Estimated Net Effect on FTE for General  
 Revenue

3 FTE	3 FTE	3 FTE
-------	-------	-------

FISCAL IMPACT - Local Government

FY 2012  
(10 Mo.)

FY 2013

FY 2014

**LOCAL POLITICAL SUBDIVISIONS**

Cost - School Districts - Decreased  
funding

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
POLITICAL SUBDIVISIONS**

**(Unknown)**

**(Unknown)**

**(Unknown)**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal changes the laws regarding charter schools and establishes the Missouri Charter Public School Commission.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health and Senior Services  
Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Social Services  
Department of Public Safety  
Missouri State Highway Patrol  
Office of Secretary of State  
Administrative Rules Division  
Joint Committee on Education  
Joint Committee on Administrative Rules  
Charter School Sponsors  
University of Central Missouri  
University of Missouri - Kansas City  
Saint Louis University  
University of Missouri - St Louis

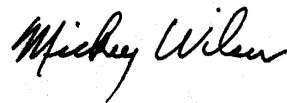
SOURCES OF INFORMATION (Continued)

Colleges and Universities

Missouri Southern State University  
Lincoln University  
Northwest Missouri State University  
Missouri State University  
Missouri Western State University  
Kansas City Metropolitan Community College  
Linn State Technical College  
University of Missouri

School Districts

Fair Grove R-X School District  
Parkway



Mickey Wilson, CPA  
Director  
April 20, 2011